

CHELAN DOUGLAS REGIONAL PORT AUTHORITY

Financial Statements

(Cash Basis)

December 31, 2021

I N D E X

Fund Resources & Uses.....	1-2
Notes to Financial Statements	3-11
Supplementary Information	
Schedule of Liabilities	12
Schedule of State Financial Assistance	13
Schedule of Expenditures of Federal Awards	14
Notes to the Schedule of Expenditures of Federal Awards.....	15

Chelan Douglas Regional Port Authority
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2021

Beginning Cash and Investments		
3083100	Restricted	220,512
3085100	Assigned	770,190
3089100	Unassigned	13,529,200
	Total Cash and Investments	<u>14,519,902</u>
Revenues		
3111000	Property Tax	-
3331400	Federal Indirect Grant from Department of Housing and Urban Development - CDBG	35,000
3312000	U.S. Department of Transportation - FAA Grant	3,912,059
3312000	U.S. Department of Transportation - FAA PFC Funds	162,434
3316600	U.S. Environmental Protection Agency Grant	85,628
3319700	Department of Homeland Security - TSA	11,603
3340360	WA State Department of Transportation	185,764
3340420	WA State Department of Commerce Grants	331,536
3370000	Local Grants, Entitlements and Other Payments	-
3445000	Sales of Fuel	2,226,128
3446000	Airports and Ports Services	6,423,906
3611000	Investment Earnings	112,652
3699100	Miscellaneous Other	2,753
	Total Revenues	<u>13,489,463</u>
Expenditures		
5460010	Salaries	2,052,889
5460020	Benefits	636,601
5460030	Supplies	1,703,783
5460040	Services - Small Business Grants	38,020
5460040	Services	4,331,514
	Total Expenditures	<u>8,762,807</u>
Excess (Deficiency) Revenues over Expenses		4,726,656

Other Increases	
3821000 Refundable Deposits	46,810
3822000 Retainage Deposits	49,910
3850000 Special Item - Cash from Port of Chelan County	2,271,559
3850000 Special Item - Cash from Port of Douglas County	1,087,000
3951000 Proceeds from Sales of Capital Assets	<u>24,080</u>
Total Other Increases	<u>3,479,359</u>
Other Decreases	
5821000 Refund of Deposits	21,421
5822000 Refund of Retainage	99,327
5914670 Debt Repayment - Port of Chelan County	78,639
5924680 Interest and Other Debt Service Cost	30,928
5944660 Capital Expenditures/Expenses	<u>4,794,448</u>
Total Other Decreases	<u>5,024,763</u>
Increase (Decrease) in Cash and Investments	3,181,252
Ending Cash and Investments	
5083100 Restricted	339,555
5085100 Assigned	340,275
5089100 Unassigned	<u>17,021,324</u>
Total Ending Cash and Investments	<u>\$ 17,701,154</u>

Chelan Douglas Regional Port Authority Notes to Financial Statements

Note 1 - Summary of Significant Accounting Policies

The Chelan Douglas Regional Port Authority (Port Authority) was established in 2019, with operations commencing on January 1, 2020, and operates under the laws of the state of Washington applicable to port districts. The Port Authority is a special purpose local government entity and provides industrial parks, airport, tourism and economic development services to the general public, and is supported through user charges and tax revenues.

The Port Authority is governed by a six-member board composed of the elected Commissioners of the Port of Chelan County and Port of Douglas County.

The Port Authority reports financial activity in accordance with the *Cash Basis Budgeting, Accounting and Reporting System* (BARS) Manual prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW. This manual prescribes a financial reporting framework that differs from generally accepted accounting principles (GAAP) in the following manner:

- Financial transactions are recognized on a cash basis of accounting as described below.
- Component units are required to be disclosed, but are not included in the financial statements (see Note 3 - Functional Consolidation).
- Government-wide statements, as defined in GAAP, are not presented.
- All funds are presented, rather than a focus on major funds.
- The *Schedule of Liabilities* is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances for proprietary and fiduciary funds are presented using classifications that are different from the ending net position classifications in GAAP.

A. Fund Accounting

Financial transactions of the government are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues and expenditures. The government's resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements, except for fiduciary funds, which are presented by fund types. The total column is presented as "memo only" because any interfund activities are not eliminated. The following fund types are used:

GOVERNMENTAL FUND TYPES:

General Fund

This fund is the primary operating fund of the government. It accounts for all financial resources except those required or elected to be accounted for in another fund.

B. Basis of Accounting and Measurement Focus

Financial statements are prepared using the cash basis of accounting and measurement focus. Revenues are recognized when cash is received and expenditures are recognized when paid.

C. Cash and Investments

See Note 2, *Deposits and Investments*.

D. Capital Assets

Capital assets are assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Capital assets and inventory are recorded as capital expenditures when purchased.

E. Compensated Absences

Vacation leave maybe accumulated up to 240 hours and is payable upon separation or retirement.

Sick leave may accumulate up to 480 hours, and is not payable upon resignation or termination of employment, other than retirement. If an employee retires under the Public Employees Retirement System (PERS), at the time of termination of employment, the Port Authority shall contribute an amount equal to 25% of the value of accrued unused sick leave to a Voluntary Beneficiary Association Account (VEBA). In addition, for those employees that start the calendar year with the maximum hours of sick leave accrued, and during the year use less sick leave then the amount accrued, will also receive a contribution of 25% of the excess accrual to a VEBA account.

F. Long-Term Debt

See Note 4 - *Long-Term Debt*.

G. Restricted and Committed Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments are reported as restricted or committed when it is subject to restrictions on use imposed by external parties or due to internal commitments established by the Board of Directors. When expenditures that meet restrictions are incurred, the Port Authority intends to use the most restricted resources first.

As of December 31, 2021, the Port Authority held \$339,555 in restricted funds. These Passenger Facility Charges may only be used to fund FAA approved projects.

Assigned Cash and Investments reflect the portion of funds that are intended to be used for a specific purpose that are neither restricted nor committed. Funds Assigned for specific use consist of \$340,275 for the Air Service Investment Program (ASIP).

Note 2 - Deposits and Investments

It is the Port Authority’s policy to invest all temporary cash surpluses.

Custodial credit risk for deposits is the risk that, in event of a failure of a depository financial institution, the Port Authority would not be able to recover deposits or would not be able to recover collateral securities that are in possession of an outside party. The Port Authority’s deposits and certificates of deposit are mostly covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

Investments are reported at original cost.

Investments by type at December 31, 2021 are as follows:

<u>Type of Investment</u>	<u>Port Authority’s Own Investments</u>	<u>Investments held by Port Authority as an agent for other local governments, individuals or private organizations.</u>	<u>Total</u>
Cash in Bank	\$13,615,465	\$ _____	\$13,615,465
U.S. Government Securities	4,085,689	_____	4,085,689
Other:	_____	_____	_____
Total	<u>\$17,701,154</u>	_____	<u>\$17,701,154</u>

All investments are insured, registered or held by the Port Authority or its agent in the government’s name.

Note 3 - Functional Consolidation

The Port of Chelan County and Port of Douglas County (Ports) operate jointly as the Chelan Douglas Regional Port Authority (Port Authority). The Port Authority was formed by resolution effective January 1, 2020, for the purpose of functionally consolidating both Ports’ operations, and as an ownership and operational entity for Pangborn Memorial Airport. The Joint Venture is governed by a six-member board composed of the three Commissioners from each Port District.

The Ports are obligated to remit all revenues to support the Port Authority’s operations, capital acquisitions and debt service. Upon potential dissolution of the joint venture, the assets and liabilities would be distributed to the Ports according to the initial contributions, then according to a ratio based on free cash flow from each Port, as defined in the Interlocal Agreement.

During 2021, the Port of Chelan County contributed \$2,271,559, and the Port of Douglas County contributed \$1,087,000 toward operations.

Complete financial statements for each entity can be obtained from the Port Authority administrative office located at One Campbell Parkway, Suite A, East Wenatchee, WA or electronically via the website for the Office of the Washington State Auditor:

sao.wa.gov/reports-data/audit-reports/

Note 4 - Long-Term Debt

The accompanying Schedule of Liabilities provides more details of the outstanding debt and liabilities of the Port Authority and summarizes the Port Authority’s debt transactions for year ended December 31, 2021.

Note 5 - Pension Plans

State Sponsored Pension Plans

Substantially all Port Authority full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans.

The State Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems, a department within the primary government of the State of Washington, issues a publicly available annual comprehensive financial report (ACFR) that includes financial statements and required supplementary information for each plan. The DRS ACFR may be obtained by writing to:

Department of Retirement Systems
 Communications Unit
 P.O. Box 48380
 Olympia, WA 98540-8380

Also, the DRS ACFR may be downloaded from the DRS website at www.drs.wa.gov.

At June 30, 2021, the Port Authority’s proportionate share of the collective net pension liabilities, as reported on the Schedule of Liabilities, was as follows:

Plan	Employer Contributions	Allocation Percentage	Liability (Asset)
PERS 1	\$ 82,677	0.011099%	\$ 135,545
PERS 2/3	\$ 134,981	0.014249%	\$ (1,419,430)
LEOFF 2	\$ 3,076	0.001543%	\$ (89,624)

LEOFF Plan 2

The Port Authority also participates in the LEOFF Plan 2. The Legislature, by means of a special funding arrangement, appropriates money from the state general fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute.

Note 6 - Risk Management

The Port Authority is a member of the Enduris Washington (Pool). Chapter 48.62 RCW provides the exclusive source of local government entity authority to individually or jointly self-insure risks, jointly purchase insurance or reinsurance, and to contract for risk management, claims, and administrative services. The Pool was formed July 10, 1987 pursuant to the provisions of Chapter 48.62 RCW, Chapter 200-100 WAC, and Chapter 39.34 RCW when two counties and two cities in the State of Washington joined together by signing an interlocal governmental agreement to fund their self-insured losses and jointly purchase insurance and administrative services. For the Pool's fiscal year ending August 31, 2021, there were 539 Enduris members representing a broad array of special purpose districts throughout the state.

The Enduris' program provides for various forms of joint self-insurance and reinsurance coverage for its members: Liability coverage, which includes: General Liability, Automobile Liability, Public Officials' Errors and Omissions liability, Terrorism liability and Employment Practices liability; Property coverage, which includes: Building and Contents, Mobile Equipment, Boiler and Machinery, and Business Interruption/Extra Expense; Automobile Physical Damage coverage; Cyber coverage; Crime blanket coverage; Named Position coverage; and an Identity Fraud reimbursement program. Pollution coverage is provided on a "claims made" coverage form. All other coverage is provided on an "occurrence" coverage form.

Members are responsible for a coverage deductible or co-pay on each covered loss. Each policy year members receive a Memorandum of Coverage (MOC) outlining the specific coverage, limits, and deductibles/co-pays that are applicable to them. In certain cases, the Pool may allow members to elect to participate in the programs at limits, coverage, deductibles, and co-pays that are specific to their needs. Enduris is responsible for payment of all covered losses above the member retention, up to the Pool self-insured retention (SIR). Enduris acquires excess/reinsurance from unrelated insurance companies to cover losses above the Pool's SIR up to the coverage maximum limit of liability. The tables below reflect the Pool's SIR, reinsurance limits and member deductibles/co-pays by coverage type.

Coverage	Coverage Type	Pool Self-Insured Retention	Excess/ Reinsurance Limits	Member Deductibles/ Co-Pays (1)
Liability:				
Comprehensive General Liability	Per Occurrence	\$1 million	\$20 million	\$1,000 - \$100,000
Automobile Liability	Per Occurrence	\$1 million	\$20 million	\$1,000 - \$100,000
Public Officials Errors and Omissions Liability	Each Wrongful Act Member Aggregate	\$1 million	\$20 million \$20 million	\$1,000 - \$100,000
Terrorism Liability (2)	Per Occurrence Pool Aggregate	\$500,000 \$1 million	\$0 Fully funded by Pool	\$1,000 - \$100,000
Employment Practices Liability	Per Occurrence Member Aggregate	\$1 million	\$20 million \$20 million	20% Copay(3)

- (1) Members may request or be required to pay a higher deductible than the minimum for certain coverage and certain types of losses require a specific co-pay or deductible
- (2) Terrorism liability is fully funded by the Pool i.e. no excess/reinsurance is procured.
- (3) Members pay a 20% co-pay of costs up to a maximum of \$100,000. By meeting established guidelines, the co-pay may be waived.

Property (2):

Buildings and Contents	Per Occurrence	\$250,000	\$800 million	\$1,000 - \$250,000
Mobile Equipment	Per Occurrence	\$250,000	\$800 million	\$1,000 - \$250,000
Boiler and Machinery (3)	Per Occurrence	Varies	\$100 million	Varies
Business Interruption (BI)/ Extra Expense (EE) (4)	Per Occurrence	\$250,000	\$100 million (BI)/ \$50 million (EE)	\$1,000 - \$250,000

Coverage	Coverage Type	Pool Self-Insured Retention	Excess/ Reinsurance Limits	Member Deductibles/ Co-Pays (1)
Sublimit (5):				
Flood	Per Occurrence	\$250,000	\$50 million (shared by Pool members)	\$1,000 - \$250,000
Earthquake	Per Occurrence	5%; \$500,000 maximum	\$10 million (shared by Pool members)	\$1,000 - \$250,000
Terrorism Primary	Per Occurrence Pool Aggregate	\$250,000	\$100 million/ Pool member \$200 million	\$1,000 - \$250,000
Terrorism Excess	Per Occurrence APIP Per Occurrence APIP Aggregate	\$500,000	\$600 million/Pool member \$1.2 billion/APIP \$1.4 billion/APIP	\$0
Automobile Physical Damage (6)	Per Occurrence	\$25,000; \$100,000 for Emergency Vehicles	\$800 million	\$250 - \$1,000
Crime Blanket (7)	Per Occurrence	\$50,000	\$1 million	\$1,000
Named Position (8)	Per Occurrence	\$50,000	\$1 million	\$1,000
Cyber (9)	Each Claim APIP Aggregate	\$100,000	\$2 million \$25 million	20% Copay
Identity Fraud Expense Reimbursement (10)	Member Aggregate	\$0	\$25,000	\$0

(1) Members may request or be required to pay a higher deductible than the minimum for certain coverage and certain types of losses require a specific co-pay or deductible.

Coverage	Coverage Type	Pool Self-Insured Retention	Excess/ Reinsurance Limits	Member Deductibles/ Co-Pays (1)
----------	---------------	-----------------------------	----------------------------	---------------------------------

- (2) Property coverage for each member is based on detailed property schedule. Scheduled items are covered to the extent of the cost of repair or replacement pursuant to the excess/reinsurance policy terms. Under the Alliant Property Insurance Program (APIP) Reinsurance carriers cover insured losses over \$250,000 to the limit of \$800 million except for certain types of sub-limited property losses such as flood, earthquake, and terrorism.
- (3) Boiler and Machinery self-insured retention for the Pool varies depending on motor horsepower.
- (4) Business Interruption/ Extra expense coverage is based on scheduled revenue generating locations/operations. A limited number of members schedule and the rest are limited to \$500,000 of coverage with a \$2.5 million Pool maximum for undeclared exposure. The waiting period (deductible) is typically 24 hours but there are exceptions specific to the type of exposure covered.
- (5) This sublimit list is simplified and is not all-inclusive. In addition, sub-limits are often shared or aggregated by all pool members and, in a few cases, are shared by all APIP members. Deductibles often vary by coverage sub-limit.
- (6) Auto Physical Damage coverage includes comprehensive, named perils and collision. Coverage for each member is based on a detail vehicle schedule.
- (7) Crime Blanket coverage (also referred to as "Employee Dishonesty Coverage with Faithful Performance" of \$2,500 is provided to each member. Member's may elect to "buy-up" the level of coverage from \$5,000 to \$1 million.
- (8) Named Position coverage is optional. Members may elect to schedule various employees, directors, and commissioners, with individual limits of between \$5,000 and \$1 million.
- (9) Cyber coverage is included under the Pool's Property program. Members are subject to a 20% co-pay per loss and the Pool's SIR is tiered between \$50,000 and \$100,000 depending on the insured/members property TIV with an 8 hour waiting period. By meeting established guidelines, the co-pay may be waived. The reinsurance maximum limit of liability is \$2 million, with various declared sub-limits.
- (10) Identity Fraud Expense Reimbursement coverage is purchased by Enduris. Member claims do not have a deductible. There is a \$25,000 limit per member.

Members make an annual contribution to fund the Pool. Since Enduris is a cooperative program, there is joint liability among the participating members. There were no claim settlements in excess of the insurance coverage in any of the last three policy years.

Upon joining the Pool, members are contractually obligated to remain in the Pool for a minimum of one year and must give notice 60 days before renewal in order to terminate participation. The Interlocal Governmental Agreement (formerly known as the Master Agreement) is automatically renewed each year unless provisions for withdrawal or termination are applied. Even after termination, a member is still responsible for contribution to Enduris for any unresolved, unreported and in process claims for the period they were a signatory to the Interlocal Governmental Agreement.

Enduris is fully funded by its member participants. Claims are filed by members with the Pool who determines coverage and administers the claims.

The Pool is governed by a Board of Directors which is comprised of seven board members. The Pool's members elect the Board, and the positions are filled on a rotating basis. The Board meets quarterly and is responsible for overseeing the business affairs of Enduris and providing policy direction to the Pool's Executive Director.

Note 7 - COVID-19 Pandemic

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of COVID-19. Precautionary measures to slow the spread of the virus continued throughout 2021. These measures included limitations on business operations, public events, gatherings, travel and in-person interactions.

The Port Authority proactively implemented safety measures, and operations have remained unchanged. Management continues to monitor the situation for any operational or financial effects and is ready to respond appropriately as needed. To date, the Port Authority has not experienced any direct financial impacts due to the pandemic.

The length of time these measures will continue to be in place, and the full extent of the financial impact on the Port Authority is unknown at this time.

Note 8 - Other Disclosures

Contingency

The Port Authority participates in a number of federal, state and locally assisted programs. The grants the Port Authority receives under these programs are subject to audit by the grantors or their representatives. Such audits could result in requests for reimbursement to grantor agencies for expenditures disallowed under the terms of the grants. Management believes that such disallowances, if any, will be immaterial.

Chelan Douglas Regional Port Authority
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2021

Note 1 - Basis of Accounting

This Schedule is prepared on the same basis of accounting as the Port Authority's financial statements. The Port Authority uses the cash basis of accounting.

Note 2 - Federal De Minimis Indirect Cost Rate

The Port Authority has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 3 - Program Costs

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including the Port Authority's portion, may be more than shown. Such expenditures are recognized following, as applicable, either the cost principles in the OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.